Decrease in SBI's Foreign Exchange profits

994. SHRI SANTOSH BAGRODIA: Will the Minister of FINANCE be pleased to state:

(a) whether State Bank of India's foreign exchange profits have decreased during 1999-2000 dropping to Rs. 311 crores from Rs. 381 crores in the financial year 1998-99; and

(b) if so, the reasons therefor with details thereof?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI BALASAHEB VIKHE PATIL): (a) As reported by the State Bank of India, their foreign exchange profit on domestic operations was Rs. 382.20 Crore in 1998-99 and Rs. 310.85 Crore in 1999-2000. However, the foreign exchange turnover has increased in both in absolute terms and percentage terms during the same period.

(b) According to RBI the reduction in profit during the year 1999-2000 is due to the narrowing of spread on account of increased competition from private and foreign banks creating pressure on margins, increase in share of low margin business to total business, increasing pressure from Corporates for extremely competitive low margin/zero margin exchange rates and steady tone of rupee dollar for major part of the year causing low volatility in the inter-bank market, constricting trading opportunities and thereby income.